

econsense

Taking on Sustainable Development in Germany

A business view on the UN Sustainable Development Goals (SDGs)

July 2018

Intro and key messages

The United Nations' 2030 Agenda and its 17 Sustainable Development Goals (SDGs) have changed how we talk about sustainability in a very positive way. The SDGs provide a shared narrative, generate a common understanding of sustainability challenges and clarify that these are global and interlinked issues. The SDGs are valid for all and owned by everyone. This means that all stakeholders – states, society, science and business – need to work together to achieve the SDGs.

To integrate the SDGs into business practice and to boost the business impact on the SDG achievement has been at the top of econsense's agenda since 2015. econsense member companies have already been very active in engaging with the SDGs, in assessing their impacts and in maximizing their own SDG contribution. Germany and German companies strive to play a leading role in implementing the Agenda. Only by working together can we achieve the SDGs at the necessary speed. With this paper, we want to

- advocate an open dialog with all relevant stakeholders to discuss the operationalization of the 2030 Agenda and to support the achievement of the SDGs;
- encourage the German government to embrace the SDGs and the 2030 Agenda as the main framework driving policy development and priority setting and to establish sustainability as a stable value in a rapidly changing world;
- emphasize the need for politicians, decision-makers and administration to recognize the private sector as a key partner and that the efforts initiated by business need to be further encouraged by an enabling policy framework;
- highlight the willingness of business to engage in cooperation and to work with institutions

and government to foster sustainable behavior and advance the awareness for and the achievement of the SDGs;

- outline the important role of (digital) innovations for achieving the SDGs;
- promote close cooperation of the public sector, the private sector and civil society for shaping ethical principles and behavior in the digital age;
- outline (new) activities of companies to advance the achievement of the SDGs;
- fortify our intention to step up our efforts to promote targets related to sustainable development and to support our member companies in incorporating sustainability principles and the premise of the 2030 Agenda at the core of their decision-making and business models.

Why the SDGs are relevant for (German) business

The econsense members have a long history of integrating sustainability in operations and developing new solutions to tackle ecological, societal and economic challenges. The 2030 Agenda clarifies that sustainable development is a global challenge on which everyone must act. By emphasizing that these are global and interlinked concerns, the Agenda can help to promote integrated thinking and to move beyond siloed approaches to sustainable development. Thereby, the SDGs can serve as an umbrella for a company's activities and can thus be a driving force for change. As a common language, the SDGs also represent a strong communication tool that makes the dialog between all stakeholders easier, more effective and specific.

The private sector is often perceived as the single most important actor in delivering the SDGs. Business has a key development function

as an engine of economic growth and employment. Amongst others, companies provide jobs, infrastructure, innovation and social services. Increasingly, investments in developing countries – even in the least developed countries – are seen as business opportunities, despite the risks involved. By acting sustainably, companies can increase their productivity, mitigate risks, avoid disruptions in the supply chain, gain in reputation and improve employer branding. The SDGs can now work as a leverage for business to implement sustainable conduct.

Moving from why to how – business commitment to the SDGs

The private sector has already played an active role in developing activities that link with the 2030 Agenda. The big question for companies now is how they can meaningfully measure and manage their contributions to the SDGs and how they can boost and scale their SDG commitment, for example by means of relevant, impactful partnerships. Challenges can be very specific for different sectors.

The econsense members are already assessing, how they can contribute to achieving the SDGs and develop specific solutions. And increasingly, companies perceive the SDGs as a business opportunity (for example, ICT companies – such as Deutsche Telekom – estimate the business potential from sustainability to be \$2.1tn in 2030).

88 percent of econsense members are actively engaging with the SDGs. This involves

- raising awareness for the SDGs among employees, customers, and partners,
- prioritizing SDGs*,
- setting targets (e. g., setting ambitious climate targets),
- integrating the SDGs into the strategy and measuring the contribution to the SDGs, and
- innovating and engaging in new activities.

Not all 17 SDGs will be equally relevant for individual companies. The extent to which a company can contribute to each, will depend on many factors, such as their industry, and on their specific skills. Companies have to assess sustainability along their entire value chain, and deal with different national circumstances and specifications. The complexity of the Agenda 2030 is broad. Thus, business should look to identify material topics as well as mitigate negative impacts in general. Furthermore, target setting is essential to driving good performance – by aligning with the SDGs, companies can set goals that are more meaningful.

To have a perfect SDG record over night is not very realistic. However, there has been continuous improvement and companies are willing to assume responsibility. And, as John Danilovich (ICC Secretary-General) put it at the 2017 HLPF, “the SDGs should be known as the BDGs (the Business Development Goals) because their achievement represents a clear economic imperative.” Sustainable business models are vital to long-term inclusive value creation.

* To maximize their impact on the SDGs, it makes sense for companies to focus on SDGs where they have a high impact and observe a strong business case. The extent to which a company can contribute to each, will depend on many factors, which need to be thoroughly assessed (i. a., by mapping value chains and identifying positive and negative impacts).

BASF sets targets to increase its revenues from sustainable products, with impact on C-level remuneration, and integrates sustainability into products and services portfolio steering. By doing this, BASF considers the products' applications in various markets and industries and categorizes them by means of their sustainability contributions and challenges.

Evonik reviewed the United Nations' 17 SDGs and the contributions which Evonik's businesses make to achieving them. In addition, Evonik looked at the SDGs at an operational level and developed a viable method for evaluating the SDG-contribution made through value chains. On this basis, the company started to analyze value chains for selected products. Building on this, the most relevant SDGs for the Evonik Group are currently identified.

Covestro has integrated the SDGs into its company strategy and has set ambitious sustainability goals for 2025. One goal is to address the SDGs in research and development projects (R&D). By 2025, 80 percent of Covestro's R&D project spending will be targeted in areas that contribute to achieving the SDGs.

Deutsche Post DHL Group commits to zero emissions logistics by 2050, with ambitious interim goals for carbon efficiency, local emissions, green customer solutions and employee engagement.

Siemens aims to be the world's first major industrial company to achieve a net-zero carbon footprint by 2030 and plans to cut its carbon dioxide emissions in half by 2020.

Continental proactively reduces CO₂ by applying an SDG-informed market strategy. The SDG 13 „Climate Action“ is strategically

embedded in product development across divisions. This ensures compliant products, already conform with tomorrow's regulation.

At **Deutsche Bahn** climate protection is an integral part of its corporate strategy. Moving people and goods in a way that CO₂ emissions are kept as low as possible is therefore a central concern. Deutsche Bahn aims at a share of 70 percent of renewable energies in the traction current mix by 2030.

SAP leverages digital technologies to help businesses, governments, cities and other organizations work towards the achievement of the SDGs and launched a free web book and open online training to drive awareness of the impacts and opportunities of digitalization to do good business while contributing to the SDGs.

innogy is continuously building up its renewable energy capacity in order to help other companies to achieve their sustainability targets through reliable Green Power Purchase Agreements. Furthermore, innogy converts its entire company fleet to electric and hybrid models, with the goal to replace all combustion engines within four years.

SDG-derived targets and goals are engraved into governance and strategy processes at all levels of **thyssenkrupp**. Accepting responsibility beyond the factory gates results for example in the Climate Action Program on Sustainable Solutions (CAPS) embracing the value chain (scopes 1, 2 and 3) in a holistic approach to net GHG neutrality; committed to 'implement', 'develop' and 'engage'.

This list is non-exhaustive and presents only a limited number of activities / projects by the econsense member companies.

Accelerating change

All SDGs are relevant and all stakeholders can strengthen their efforts in specific areas. To close the gap between vision and action, governments and business need to make a case for change.

The private sector can be a powerful promotor of sustainable development. But commitments to the SDGs also means rethinking common business practices. 87 percent of the CEOs globally believe that the SDGs provide an opportunity to rethink approaches to sustainability.

To become a major force for SDG achievement, companies need to accelerate change: Business as usual is not enough to achieve the goals of the 2030 Agenda. Thus, business is now starting to step up their activities. This includes:

- **Selling the SDGs inside the company:** Engaging with the right internal partners and including all relevant functions into the discussion and implementation of the SDGs; encourage employee led innovations.
- **Translating visions into action:** Innovating under consideration of the transformative vision the SDGs provide; beyond current best practice and existing business models.
- **Promoting exchange and collaboration:** Engaging in the development of common approaches and benchmarks to increase transparency and comparability and to distill and share best practices; forming collaborations with other companies, institutions etc. to advance the implementation of the 2030 Agenda.
- **Showing commitment:** Setting ambitious and long term goals.
- **Building better societies:** Rethinking business operations and models and focusing on the contribution or value created for society.

However, the SDGs cannot be achieved by business alone. Not all SDGs have an intuitive link to a company's activities and not all SDGs are similarly impacted by companies' value chains. Many of the SDG targets are mainly directed towards international or national policy action. Here, it will be specifically necessary for policy makers and other societal actors to drive change. Government can leverage private sector contribution, helping to manage risk and providing insights into effective policy and practice.

With the Business to Society-approach, **Siemens** demonstrates its impact to the sustainable development of societies and its contribution to the SDGs and derives strategic actions. The approach illustrates how the SDGs can provide a framework for a broader understanding of a company's impact on specific markets.

Within its corporate program "Smart Cities" **Deutsche Bahn** develops and implements concepts to improve the quality of life in urban areas and thus to contribute to making society sustainable in the future. Thereby, Deutsche Bahn also takes advantage of the opportunities offered by digitization – like shaping the future of mobility through its participation in CleverShuttle.

In line with its business activity, the **E.ON Group** is focusing its efforts in particular on goal 7, 13 and 11. They also indirectly contribute to most other Sustainable Development Goals due to fact that the vision – Improving people's life – and the business strategy – Partner for the New Energy World – is based on an unambiguous commitment to sustainability. To underline its promise the E.ON Board of Management has made recently a written commitment to support the SDGs.

BASF measures the value proposition of their actions along the entire value chain by means of the Value-to-Society approach. With a deep understanding of how the company's actions impact society and the environment, BASF has developed this method with external experts to perform a monetary assessment of the economic, ecological and social impacts of its business activities along the value chain. It enables a direct comparison between financial and nonfinancial effects on society, along with how these interact. In this context, the company strives to increase its positive contribution to society and minimize the negative effects of business activities.

Deutsche Post DHL Group used environmental and social aspects as starting points to innovate for emission-free delivery in cities. This approach resulted in the StreetScooter, developed in a collaborative approach outside of Deutsche Post DHL Group's core business.

With digital innovation, **SAP** enables organizations to transform and accelerate the global economic, social and environmental impact they have in areas such as chronic disease prevention, humanitarian relief, post-harvest loss or elimination of forced labor in supply chains.

innogy used the European Sustainable Development Week as a kick off to promote the SDGs among its employees: In regular events and talks innogy's impact on the Goals is discussed and evaluated leading to more sustainable practices, solutions and innovations.

At **thyssenkrupp** internal change is driven by sustainability targets starting at the C-level remuneration and filtering deep down into the organization. thyssenkrupp applies sustainability metrics in structured processes such as product life cycle management (PLM) to support SDG-achievement with innovative products changing many industries: from environmentally and climate friendly fertilizer plants to feed the world, to innovative mobility solutions such as rope-less elevators to move sustainable cities.

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Creating an enabling environment for meaningful SDG implementation

The 2030 Agenda and the SDGs are a reference used by a broad set of stakeholders alike. With this common vision of prosperity, business can be encouraged to find solutions that can help solve both human and environmental problems; governments can develop incentives that enhance SDGs achievements; and youth can learn about the economic and societal opportunities that sustainable development can bring. However, to realize this holistic vision, further dialog and action is needed:

- It is important to anchor the SDGs in German and European policy as a key framework for policy development, priority setting and management metrics and to offer transparency on their implementation. Governments need to create awareness for the goals and provide consistent, long-term and reliable frameworks

for business action on the SDGs in all dimensions, including human rights, social justice, environmental protection etc. We thus encourage the German government to embed the SDGs into the heart of their strategic policy and decision-making, to strengthen interministerial dialog and to create an enabling policy environment. Long-term policy coherence will be key towards incentivizing sustainable business models and unleashing the necessary innovations and investments in sustainable technologies and infrastructure.

- There is a need for the creation of a positive narrative and to outline the benefits of sustainable behavior. In this context, the specific relevance of sustainability needs to be communicated more clearly and by means of concrete examples. To make the SDGs more tangible, the underlying issues need to be transferred into clear actions, outlining the specific relevance for different stakeholder.
- The holistic character of the 2030 Agenda should be acknowledged by all stakeholders. The SDGs must not be looked at in isolation and interdependencies need to be considered and carefully aligned.
- Clear and long-term targets that outline the role and responsibility of Germany in the world are needed. In this context, we welcome that the German strategy for sustainable development is now oriented on the SDGs. Similarly, the reference to the 2030 Agenda in the coalition agreement is a relevant signal. However, a higher emphasis on the Agenda and its SDGs is needed in current policies. Furthermore, the current gap towards SDG-achievement needs to be discussed transparently and prominently.
- Citizens need to be encouraged to participate in the implementation of the 2030 Agenda. Raising awareness, educating and training all stakeholders of the 2030 Agenda needs to be a priority. This will be key towards achieving more responsible production and consumption patterns. Especially the youth will play a crucial role in achieving the SDGs and needs to be involved more closely in the process. Business offer key competences in this regard and a wide reach. By incorporating sustainability in vocational and professional trainings business can make a relevant contribution to empower and motivate their employees for sustainability topics. In the future, companies and governments should work closely together to address these issues more efficiently.
- Digitalization is reshaping our society in many ways and offers a huge chance to catalyze the fundamental transformation the SDGs call for. Digital solutions can positively influence all 17 SDGs. Digitalization can, amongst others, help to improve transparency and collaboration, enable more efficient processes and resource management, improve measurement and strategic capabilities, and increase access to products/services. However, shaping the digital transformation in an ethical and sustainable way needs combined efforts of business, governments and society. It is our joint responsibility to create and use digital technologies with people and sustainability in mind.
- Further efforts to enhance innovation and finance are needed. We welcome the EU Action Plan on Financing Sustainable Growth that promotes a change of the financial system. We call for similar activities and the advancement of this topic in Germany and by German policy makers.

Promoting dialog and joint action

At the High-Level Political Forum (HLPF) in 2017 a number of leading business organizations issued a communiqué highlighting business support for the SDGs and outlining actions business are taking/can take to advance this Agenda. In 2018, business will again take on an active role at the HLPF. econsense and many of its member companies will be in New York to showcase their approaches to the SDGs, to exchange best practices and to engage in dialogs with other stakeholder on how to advance the SDGs. Delivering the goals can happen only if the public sector, private sector and civil society all step up and demonstrate leadership.

Networking, best practice exchange and dialog with civil society and governments were identified by companies as relevant supporting measures for advancing sustainable development. econsense advocates an open dialog with all relevant stakeholders to discuss how to implement and operationalize the 2030 Agenda and the SDGs. In this context, we would also like to highlight the relevance of past and upcoming meetings and dialogs with the Federal Chancellery, the Foreign Ministry, the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, the Federal Ministry for Economic Cooperation and Development, and representatives from civil society and science. Progress and change can only be achieved through an open dialog, cooperation, inclusion and transparency.

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This paper relates to and is based on following publications

econsense and Accenture Strategy,

”How Companies can Improve their Impact on the Sustainable Development Goals (SDGs) and Harness the Power of Digitalization”, 2017

econsense and Global Compact Germany,

“Sustainable Development Goals and German Business”, Survey, 2016

European Network of the WBCSD,

“An inspirational view for a sustainable economy in Europe: taking on the Sustainable Development Goals”, 2017

Global e-Sustainability Initiative (GeSI) and Accenture Strategy,

“#SystemTransformation”, 2016

SDG Business Forum,

“Business Communiqué – Business is stepping up for transformational partnerships”, 2017

The UN Global Compact and Accenture Strategy,

“Agenda 2030: A Window of Opportunity”, 2016

World Business Council for Sustainable Development,

“CEO Guide to Sustainable Development Goals”, 2017

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About econsense:

econsense is a network of internationally operating companies with a common goal: They want to actively shape the change to a more sustainable economy and society. We support our members in anchoring sustainability in operational practice, in strategy or along the supply chain. We track and analyze all relevant issues: from environmental protection to human rights – always with a focus on the business case for sustainability.

econsense members:

Aareal Bank, Accenture, BASF, Bayer, Bertelsmann, BMW Group, Bosch, Coca-Cola Deutschland, Continental, Covestro, Daimler, Deloitte, Deutsche Bahn, Deutsche Bank, Deutsche Börse, Deutsche Lufthansa, Deutsche Post DHL Group, Deutsche Telekom, EnBW, E.ON, EY, Evonik Industries, HeidelbergCement, HSBC Deutschland, KPMG, Lidl Deutschland, Linde, PwC, RWE, SAP, Schaeffler, Siemens, thyssenkrupp, VCI, Volkswagen